



FPG Perspectives

International Partners Day with Navy IPO

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3 March 2004

General Views

- Appreciate Navy IPO outreach and fully endorse the idea of International Partner Days.
- View that Navy IPO leads in customer service, involvement and focus
- Also concur that the three DoD initiatives selected for today's discussion are among the top priorities for FMS transformation
- These initiatives align with FPG "brilliant ideas" for FMS transformation

FPG “brilliant” ideas

Making FMS more competitive in an international sales environment = Idea 10, *FMS as a commercial alternative*

Customer participation in FMS contract preparation and negotiations = Idea 11, *Customer participation in LOA preparation*

Enhancing partnerships through Team International is addressed in Idea 3 = *Full disclosure of the basis for FMS services and costs in FMS cases and better insight into contractor pricing, services and deliverables* – which notes that “the Team International concept is an excellent practice that needs to be extended....”

Making FMS more competitive in the international sales environment

Many countries would like to evaluate an FMS proposal against a DCS proposal under their competitive procurement regimes

Aware

of three ways of doing this under FMS

1. The MILDEP grants a waiver to allow a supplier, whose product or service is sold “FMS only” to be able to submit a DCS proposal
 - Example : Canada’s competition for short range air-to-air missiles

2. The MILDEP authorizes a hybrid procurement (DCS for less sensitive products, FMS for more sensitive components)
 - Example : UK's purchase of Javelin missiles
3. The LOA provides a "not to exceed" price on Line 1; the supplier submits, concurrently with the LOA, performance guarantees of fixed price, firm delivery and liquidated damages, in the form of a side agreement or contract
 - Example ; under consideration for Canada's Advanced Anti-armor Weapon System requirement

Customer Participation in FMS contract Preparation and Negotiations

- A high priority for the international customer community, recognized by policy guidance from both Hamre and Wolfowitz and culminating in November 02 DFARS rule change
- What has been the result?
- Study by Michael McLaughlin, doctoral student at the Industrial College of the Armed Forces, presented to the FPG on June 24, 2003
- The following five charts reflect his findings, conclusions and recommendations

***Excerpt from ICAF
Presentation***

Data Collection

- **Telephone survey - little anecdotal info**
- **Email survey of Foreign Procurement Group Members**
 - **Only 5 responses**

Excerpt from ICAF Presentation (cont'd) Analysis

- **40% exercised the opportunity to review pricing data; 60% had not**
 - **Half of those reviewing data found it “generally useful”**
- **40% indicated contracting officer consulted on major contracting matters, inconsistent with LOA, surfaced. 20% indicated contracting officer had not consulted on major contracting matters. 20% indicated it was N/A, 20% no comment**
- **60% indicated intent to exercise opportunity to review pricing data, 20%**

Excerpt from ICAF Presentation ***(cont'd)* Conclusion**

- **DSCA reinvention efforts successful**
 - **Facilitates greater FMS customer involvement**
 - **Important mechanisms in place**
 - **Web based guide, automated LOA process, Team International**
- **Partnering with stakeholders to promote FMS improvements**
 - **DEPSECDEF support**
 - **DFARS 225.7304**

Excerpt from ICAF Presentation **(cont'd) Conclusion**

- **Customer perception of utility of process transparency is critical measure of success**
- **DFARS 225.7304 authorization procedures establish controls and parameters**
 - **Language may not encourage risk taking**
 - **Constraints from disclosing proprietary data**
 - **May limit customer participation in negotiations**

Excerpt from ICAF Presentation

(cont'd)

Recommendation

- Establish an overarching team “**International**” to modify the cultural challenges of differing functional views and encourage greater customer participation.
 - Work within DFARS 225.7304
 - Fully realize long term goals
 - Develop common metrics to measure maturity of FMS reinvention efforts